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CAN COOPERATION WORK?

FIRST TEST: THE POLITICS OF HEALTH CARE

THE POLITICS OF CALIFORNIA POLICY OPTIONS, 2007

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The political world lost one of its sharpest wits this past year with the passing of John Kenneth Galbraith. "Politics is not the art of the possible," he once said, "it consists of choosing between the disastrous and the unpalatable." Galbraith also said, "Nothing is so admirable in politics as a short memory." Both of these observations fit the current California political season perfectly.

Yes, a fresh, memory-clearing breeze of cooperation hit Sacramento in the past year, and there are forecasts of more to come. The governor is even optimistic he can lead in comprehensive health care reform, one of the most elusive and partisan of all public policy issues. There are, however, many storm clouds on the horizon as deficits, divides, and difficult-to-distasteful choices lie ahead.

This annual installment on the politics of California policy options examines the current political climate in terms of the dramatic swings and events of the past year and, with some trepidation, projects forward what lies ahead on one complex, bellwether issue on the agenda, comprehensive health care reform. For the governor and legislature to succeed, they have to somehow make the new mood of optimism in the state capitol prevail over the partisanship that has produced decades of political and structural gridlock.

Indeed, one of the angriest, most partisan periods in California political history may have bottomed out last year, on the surrealistic evening that Schwarzenegger, a former celluloid good-guy, was humiliated in a nasty election battle against the state's nurses, schoolteachers, firefighters, and police. As John Marulius, a reporter for the *San Diego Tribune*, described the scene on November 9, 2005:

Schwarzenegger's move to jam his agenda through a special election sparked months of angry protests by public employees unions and touched off a massive television advertising war costing hundreds of millions of dollars.

Supporters of the Governor crowded into the Beverly Hills Hilton hotel to await the governor's arrival, but realized shortly after the polls closed that there was little hope of anything more than a partial victory.

Appearing shortly after 10 p.m., Schwarzenegger would not characterize how the election was going. But when the dust settles, he said, he wants to work with the legislature on rebuilding the state's infrastructure, expanding the supply of energy, and affordable housing.

"I recognize that we also need more bipartisan cooperation to make things

happen,” he said.

A contrite Schwarzenegger vowed to put the rancor and bitterness of the special election campaign behind him.

“Californians recognize that we need change,” he said. “But the people of California are sick and tired of all the fighting and they are sick and tired of all those negative TV Ads.”

One of the Legislature’s top Democrats, Senate President pro tem Don Perata of Oakland, voiced a similar sentiment

“Regardless of who wins, it’s time to put the swords down and put our efforts to diplomacy,” Perata said on Sacramento. “We’ve wasted about 11 months that could have been spent solving California’s problems. Tomorrow the campaign is over. We should start working with one another.”¹

Governor Schwarzenegger took the lesson seriously. While the referendum battle left both sides broke, tired, and wanting to avoid another fight/fundraising campaign, the governor “reinvented” his administration. He replaced conservatives on his staff with moderates, many of them old Democratic hands. He distanced himself from the national Republican Party and the president. He toned down the theatrics and “girly man” rhetoric. Instead of waging populist ballot campaigns, he went behind closed doors with the legislative leadership and hewed policies to their politics. The Democratic leadership, concerned with deep voter disenchantment with the state legislature, was as motivated to produce results as the governor was.

As well, the governor and legislature had some plain old good luck. In the spring after the election, there was a state capital gains tax windfall, based largely on Google’s public offering, that allowed the governor to fund education and services and blunt criticism from the unions and Democratic lawmakers he had alienated during the referendum campaign. For the governor, his ultimate Democratic challenger, State Treasurer Phil Angelides, barely survived a nasty and expensive primary race and never found footing in the general election against the newly moderate, moderately re-popular Arnold.

The results of the changes and fortunes were startling. One year later, as Schwarzenegger celebrated his re-election victory and the passage of a \$37 million on infrastructure bonds negotiated with the legislature, Marelius wrote for the Union-Tribune:

Gov. Arnold Schwarzenegger roared back in spectacular fashion from the politically disastrous special election of a year ago to claim a resounding re-election victory yesterday over Democrat Phil Angelides.

Schwarzenegger decisively turned back the nation’s anti-Republican tide by forging bipartisan agreements with the Legislature on issues important to Democrats – and by publicly disagreeing with President Bush.

A victorious Schwarzenegger hailed his victory as a mandate for bipartisan cooperation.

“Politics doesn’t have to be personal and government does not have to be

gridlocked,” the governor told supporters in Beverly Hills. “Here in California, we are working together to show the rest of the nation that leadership is about solving problems, about getting results and about making a difference.”²

Coincidentally that same night, the rest of the United States echoed the same lessons that Schwarzenegger, Pereta, and Paulson voiced a year earlier. After unusually rancorous races nationally, American voters in November seemed to repudiate a politics of extreme partisanship. Conservative Republicans were replaced by moderate Democrats, Congress changed hands, and an embattled President George W. Bush was left to say, “My attitude about this is that there is a great opportunity for us to show the country that Republicans and Democrats are equally as patriotic and equally concerned about the future and that we can work together.”³

The cooperation challenge

The big questions – first for California’s governor and the legislature (and later for the country) – is can this cooperation actually work? Can it be sustained? The short answer to both questions is maybe, but not easily.

On the positive side, it seems the voters want and expect the legislature and the governor to cooperate. Californians were obviously pleased with Governor Schwarzenegger’s shift to the political middle. They re-elected him by a wide margin. They rewarded him and the Assembly and Senate leadership by passing four infrastructure bond measures, which they as leaders designed, agreed to, and put on the ballot – albeit with little if any legislative or public deliberation before the election. The Los Angeles Times exit poll the day of the election gave Governor Schwarzenegger a 64 percent favorability rating, and an almost equal number of voters reported that “things in California are generally going in the right direction.”⁴ Not surprisingly then, the theme of cooperation was a central message--from both sides of the aisle--at the December 2006 orientation for new legislators in Sacramento.

Political Forces Against Cooperation

On the negative side, the values divide that fuels anger and distrust among the California electorate still runs deep, and is greatly magnified in the partisanship of the legislature. California is, by many measures, a conservative state with a liberal legislature. Thirty-five percent of likely voters in California identify themselves as conservative, 26 percent identify themselves as born-again Christians. Only 25 percent identify themselves as liberal and 40 percent say they are “middle of the road.”⁵ Yet, as the election results came in, Democratic legislators, representing the party’s most liberal groups and voters, held their 48-32 margin the assembly and their 25-15 margin in the Senate. As Sacramento Bee columnist Dan Walters wrote: “California has the most liberal Legislature in decades, perhaps in its history, while liberals constitute the smallest ideological bloc in the electorate.”⁶

The values divide was widened just days after the 2006 election when Republican assembly members replaced George Plescia, who negotiated the infrastructure bond with the Democrats and governor, with a fiscal conservative, Michael Villanes of the Central Valley, who voted and campaigned against the bonds. Villanes argued the bonds were too expensive at \$37 billion, with an estimated \$80 billion debt service. (In fact, only six members of his own party voted with the governor, the absolute minimum needed to put the measures on the ballot). The post-election message in choosing Villanes was obvious: the Republican leadership was too cooperative with the Governor on the bonds; that's over.

Even more important on the negative side are the larger structural and political forces that have often converged in recent history to make California pretty much ungovernable. Long-time political reporter and former Sacramento Bee editorial page editor Peter Schrag describes these forces as: "The instability of the state's fiscal and governmental systems, with their Rube Goldberg-like structures—partly the consequence of California's major initiatives—and the dysfunctionality and nonaccountability of the state's elected state and local governments."⁷

For Schrag and many others, the problem starts with the way the legislature is allowed to draw its own districts, reinforcing the safety of incumbents and their party. It is exacerbated by a "closed" primary system, where voters must choose party ballots, enabling more extreme candidates, liberal and conservative, to advance to the general election. Schrag wrote:

"Most of those who come to Sacramento from those gerrymandered districts," Schrag writes, "have relatively few incentives to compromise and lots of rewards for posturing and resistance. Combine that with California's tight legislative term limits and the constitutional provision requiring a two-thirds majority in each house of the legislature a budget or state tax increase and you have a formula for fiscal gridlock. Further confounding that is the question of whether California, in view of its sheer size and its deep divisions—regional, economic and social—is one state at all."⁸

Finally, on the negative side, the capital gains windfall that provided the governor and legislature a boost last year will not offset predicted declines in tax revenue from a deflating housing market. That decline, combined with increased state spending from the windfall, is predicted to leave California with a \$5.5 billion budget gap, according to the nonpartisan California Legislative Analyst. "We are living on borrowed time," Legislative Analyst Elizabeth Hill said a week after the election. "We strongly urge the Legislature to take significant actions now to balance the state budget."⁹*

* To put the difficulty of the deficit in perspective, the state's general fund is roughly \$100 billion. Of that, almost \$80 billion is mandated to be spent on education, health care and other categories through ballot initiatives, court orders, and federal matching formulas. This leaves the governor and legislature with roughly \$20 billion in discretionary spending (which includes higher education, prisons and human services) from which the \$5.5 deficit must either be cut, paid from borrowing--the Gray Davis-Arnold Schwarzenegger strategy that is pretty much exhausted--or paid from raising new taxes, which the Governor has pledged not to do.

Thus the cooperative spirit that characterized the last legislative session and was rewarded by the voters is real, but precarious at best, and about to get seriously tested. Into this breach, Governor Schwarzenegger announced that his main agenda item for 2007 is comprehensive health care. In a speech shortly after the election he said, “We feel we shouldn’t have 6 million people uninsured. We maybe cannot solve the whole problem, but we can definitely cut it in half and do something and show the rest of the nation it can be done.”¹⁰

Health Care: A Cooperation Case in Point

It is not difficult to imagine being a new legislator on his or her way to Sacramento in 2006. You hear the Governor’s speech on the radio. Health Care is going to be big. Arnold Schwarzenegger has staked his reputation on it. You’d like to be in that debate. And you do have an open mind on health care. You have to, because you really don’t understand the details. During your campaign, your health care stump speech went something like this:

We have to do some very serious work on health care. Health care is something very close to me. My mother’s sister who was like a sister to me, was a nurse. She worked the third shift in intensive care maternity at UCLA. She’s now 82. I saw her yesterday. And she can’t believe what has happened to our health care system.

- *Health Care is too expensive*
- *Six million Californians are uninsured.*
- *They go to emergency rooms, and we pay all for them.*
- *Do you know that in Los Angeles County, the average emergency room visit costs \$380?*
- *The Prescription drug benefit is a mess.*
- *Medi-Cal now costs the state \$13 billion.*
- *I believe we can do better. And if I am elected, I promise you we will.*

All true—aside from the part about being so close to your aunt—but safely unconnected. When you were asked a specific position on any particular proposal, your answer was something along the lines of: *I read that proposal very seriously. I think it does not do enough things for enough people given its cost—which is in the billions.*”

But now you want to be effective. You want to be part of the solution. You have some catching up to do.

The Problem

Everyone agrees that health care is too expensive. Insurance premiums and co-pays costs are too much of a financial burden on most families. The average California family of four is spending \$2,800 in health insurance premiums and the total premium to employers is over \$10,000.¹¹ A number of emergency rooms and trauma centers, which

have to treat people regardless of ability to pay, have been forced to close, and doctors are less willing to be on call to them. For legislators (and taxpayers), health care costs have been a particularly bad hemorrhage on the state budget, with average health care spending per capita more than doubling every decade. The cost to the General Fund for the state's health insurance program, Medi-Cal, in 2006 was \$13 billion, an almost \$1 billion increase from 2005.¹²

California more than over 6.4 million residents who are uninsured, about 18 percent of the population. Most of the uninsured are self employed or work for small firms, where they make less than \$30,000 a year. Forty percent of the uninsured are between the ages of 18 and 34, nicknamed "the invincibles" by the insurance industry. When the uninsured have "catastrophic" accidents or illnesses, families are thrown into bankruptcy (medical costs are the second-highest cause of bankruptcy in California) and hospitals either absorb the costs or pass them on to insured patients.

The voters, 80 percent of whom are insured mainly through employers, list health care costs as a concern, but are ambivalent about solutions, particularly paying for them. A Public Policy Institute poll from September 2004 showed that 71 percent of likely voters said they are at least somewhat concerned about being able to afford health care. But only 53 percent said they would be willing to pay more—either through higher health insurance premiums or higher taxes—to increase the number of people who have health insurance.¹³

2003: The Politics of Pay or Play

In 2003, the California legislature passed a "pay-or-play" for health care reform, which while it was never enacted, it was viewed as a national model. The law would have required employers with more than 50 employees to either pay a fee to the state to provide health insurance to its employees (pay), or provide health insurance directly to workers (play). Pay or play would have provided coverage to about 2 million of the 6 million uninsured in the state. But in 2004, the law went before voters as Proposition 72 and was narrowly defeated, 50.9 percent 'no' to 49.1 percent 'yes.' It was opposed by Republicans, men, white non-Latinos, and high income earners. The main arguments against, posed in commercials financed by fast food and restaurant industries and other business groups, were that it would "increase the costs of doing business in the state" and that "providing workers health insurance should remain voluntary." Supporters of the referendum included Democrats, Independents, ethnic voters, lower income earners and voters with greater concerns about being without health insurance. Supporters cited that it was a "step in the right direction, will expand insurance coverage" and that "employers should share in the costs of health care to their workers."¹⁴ Given the razor-thin margin of victory, proponents of pay-or-play, driven largely by labor union desires to see health insurance remain employer-based, are gathering signatures to place pay-or-play on the November, 2008 general election ballot.

2003-2006: The Politics of Single-Payer Universal Health Care

Single-payer or universal health care plans are based on the idea that the government should consolidate public and private health insurance functions and guarantee coverage to all citizens within its jurisdiction. Single payer plans generally follow three objectives. First they guarantee all residents get comprehensive health care coverage. Second they give residents freedom to choose doctors, other health care professionals, facilities, and services. And third, they eliminate the role of insurance companies. The core idea is that money can be saved and used more for health care when a single government agency budgets, collects and disburses health funds. A comparison is often made to the federal Medicare system, in which administrative costs take only 2-3 percent of overall health expenditures, as compared to the about 15 percent that is common among private health care carriers.¹⁵

The recent history of single-payer health insurance in California goes back to the early 1990s. A long-held liberal ideal, the concept met swift and effective opposition when it was nationally discussed in the Clinton health care initiative. Insurance companies ran an effective advertising campaign featuring a fictional middle class couple, Harry and Louise, who lamented the possibility of a large government, bureaucratic take-over of their medical care. In 1994 California's Proposition 186, which proposed to establish a state-wide single-payer health care program, was overwhelmingly defeated, 73 percent to 27 percent.

Proponents regrouped in 1998 and began a long process of legitimizing the idea through incremental legislative measures and policy analysis. Two state senators, now Congresswomen, Barbara Lee of Oakland and Diane Watson of Los Angeles, introduced a bill entitled Health Care for All Californians, which set off a long series of independent studies, campaigns, and legislative steps, to prove and promote a single payer system for California. In the process, single payer health care has gained widespread support among Democrats, unions, social advocacy organizations, independents, and non-partisan political organizations such as the League of Women voters. But it has also been steadily and consistently opposed by Republicans, libertarians, and the insurance and HMO industries.

State Senator Sheila Kuehl has spent much of her career crafting and promoting plans for single-payer, universal health care. Last year, she shepherded SB 840, the California Health Insurance Reliability Act, through the legislature and all the way to the governor's desk. Schwarzenegger, to no one's surprise, vetoed the bill. The Governor said in a statement: "This bill would require an extraordinary redirection of public and private funding by creating a vast bureaucracy to take over health insurance and medical care for Californians—a serious and expensive mistake."¹⁶

Arnold Schwarzenegger and Health Care

When it comes to health care policy, Arnold Schwarzenegger has walked a

complicated, at times contradictory, line. His longest held principles on the role of government are those of an entrepreneurial, businessman whose devotion to free enterprise and markets unfettered by government regulation borders on religious faith. One of his earliest exposures outside of his body building and acting careers (from which he invested wisely in real estate and restaurants) grew out of an unlikely friendship with the 1987 Nobel Laureate in Economics, Milton Friedman. In the 1970s, Friedman's Chicago School of Economics money supply conservatism was a beacon to the growing free market movement that would help bring Ronald Reagan to the presidency.

Schwarzenegger read Friedman's popular book, *Free to Choose*, and gave copies to his liberal Hollywood friends as presents. In 1981, he taped an introduction to a video cassette series featuring Friedman and his views. Schwarzenegger, serious and sincere behind a desk, intoned, "... being free to choose for me means being free to make your own decisions. Being free to live your own life, pursue your own goals, chase your own rainbows without the government breathing down your neck or standing on your shoes." He spoke of his own experience as an immigrant from a "socialistic country" contrasting that experience with being a businessman here. "I noticed this," he said, "the more government interfered and intervened and inserted itself into the free market, the worse the country did. But when the government stepped back and let the free enterprise system do its work, the better we did."¹⁷

At the same time, however, Schwarzenegger has not been afraid to buck social conservative orthodoxy on social issues such as gay rights, gun control, and environmental protection. But when it comes to health care, which is both a social and economic issue, Schwarzenegger has sent signals in both directions. The disciple of Friedman has also grown close to his wife's Uncle Ted, who is Senator Edward Kennedy (D-MA), who has long advocated universal health care and increased government spending on Medicare and Medicaid.

In 2001, in fact, when his political aspirations were beginning to form, Schwarzenegger almost launched his career on health care. He felt he could gain political visibility and credibility by leading a campaign for a winning statewide ballot referendum question, but he had to find the right issue. He hired consultants who convened focus groups and consultants to rate his credibility and effectiveness in advocating for a number of different measures. Eventually, a proposition for after school programs won out. But, in the beginning of the process, according to Los Angeles Times reporter Joe Matthews in his book, *The People's Machine: Arnold Schwarzenegger and the Rise of Blockbuster Democracy*, "Schwarzenegger had his own idea: a state subsidy for health insurance for all children. He talked about that in the authenticity interview, but the focus groups hadn't taken to it. The consultants didn't like the idea at all. . . ."

"... The costs of covering all children would scare off many voters, including the economic conservatives that Schwarzenegger, with his liberal social views, would need in the 2006 gubernatorial election if he wanted the Republican nomination," Matthews wrote.¹⁸

Schwarzenegger was quiet on health care issues during the recall campaign, and, as governor, originally included sharp cuts in health and human services in his first budget battles with the Democratic legislature. A telling anecdote in that battle, however, revealed the governor's ambivalence. At a public ceremony in the midst of the budget debate, Schwarzenegger held up a toddler with cerebral palsy to flip a switch to light the Capitol Christmas tree. According to the *Los Angeles Times*, Assembly Speaker Herb Wesson pulled Schwarzenegger aside to tell him, "Well, this may be the last extracurricular activity that kid does under your budget cuts."¹⁹ Shortly after, Schwarzenegger relented on a series of cuts to disabilities services. "I did not feel this was consistent with my record as an advocate for the developmentally disabled," Schwarzenegger said in a statement. "I have dedicated myself to improving their lives, particularly through my work with Special Olympics."²⁰

A similar anecdote surfaced two years in Matthews's retelling of another budget battle, this time involving a deal the governor had made with the California Teacher's Association on Proposition 98 funding. Matthews wrote: "Kim Belshe, the health secretary, argued that if Schwarzenegger proved additional billions in Proposition 98 growth, the governor would have to cut so deeply into health programs that the state would have to deny state-sponsored health insurance to tens of thousands of poor children. . . ."

"As a decision on the budget approached, Belshe called (Maria) Shriver to warn her of the possibility of cuts in health programs. The first lady was soon on the phone to her longtime friend (Bonnie) Reiss. Why aren't you protecting these programs? Shriver demanded of Reiss."

It was all a political shell game in that moment, but in the end, the Governor decided that providing the full education funding required under Proposition 98 could not be done without making unacceptable cuts in children's health services. "I had a choice," Schwarzenegger would recall. "If we have to take \$2 billion out of health care and that means we would have to take it out of vulnerable citizens. I was not willing to do that."

Matthews wrote: "For all his tough talk about holding the line on spending, The Terminator was susceptible to any argument that he was harming children."²¹

So while Arnold Schwarzenegger harbors a personal and familial desire to protect and expand health care access, particularly for California's children, it was his conservative side that prevailed in vetoing the Keuhl single-payer bill.

In the statement released after the veto, Schwarzenegger stated: "I commend Sen. Sheila Kuehl's commitment and dedication to providing health care coverage for all Californians, but I must veto SB 840 because I cannot support a government-run health care system.

"Socialized medicine is not the solution to our state's health care problems. This bill would require an extraordinary redirection of public and private funding by creating a vast new bureaucracy to take over health insurance and medical care for Californians – a serious and expensive mistake. Such a program would cost the state billions and lead to

significant new taxes on individuals and businesses, without solving the critical issue of affordability. I won't jeopardize the economy of our state for such a purpose."²²

Senator Keuhl immediately disputed every point in the Governor's statement, but to no avail. The Governor was reelected, almost immediately made his promise to cut the ranks of the state's six million without health coverage by at least half, but how?

As this article is being written in late November, early indicators point toward realigning and restructuring the current mix of technical fixes and employer-based, private and public plans around the idea of starting with a legal requirement for all state residents to have health insurance, just as the state requires all car owners to have auto insurance.

Richman and Nation, and Massachusetts

It has been said that when the voters of California passed the term limits proposition, they had candidates like Keith Richman in mind. A medical doctor who was the head of a large medical group in the San Fernando Valley, Richman was elected to the assembly as a moderate Republican determined to tackle tough problems from health care to workers compensation to the budget process itself. Richman was into "cooperation" before it became fashionable. In 2003, he was one of two legislators, Democrat Joseph Cenciamilla, was the other, who put forth a bipartisan budget plan that cut spending, raised taxes, and offered structural reforms. As Sacramento Bee columnist Daniel Weintraub noted: "Their plan has only two votes—the authors—but as one legislator noted, it's also the only plan introduced this year to attract at least one vote from each party."²³

Last year, Richman teamed with Democrat Joe Nation to put together a comprehensive, bipartisan health care bill. Nation's pre-legislature background is equally impressive: bachelor's in Economics, German and French, master's in Foreign Service, one of 12 students nationwide to be accepted into RAND, where he received a Ph.D. in Public Policy Analysis, and post-doctoral fellowship at Stanford University.

The Richman-Nation health care plan had three major parts. First it required every California resident to obtain minimum health care coverage. Second, it required state and county governments to establish a purchasing pool to which a benefits package could be made available to persons not covered by employer plans. And third, it required the state to establish a subsidy program for qualified employers to offer benefits for employees earning significantly less than twice the federal poverty level. It also had measures to enroll an estimated 1.5 million children who are eligible for the state's Healthy Families and Medi-Cal programs.²⁴ Jill Stewart, a longtime commentator on California politics, wrote, "Richman and Nation's plan required everybody to share costs by buying in – but not for a Cadillac. Their plan was only a Hyundai that let the sick avoid bankruptcy and reduced reliance on emergency rooms. It was a half-step to change, but still radical."²⁵

The result? It never got out of committee. It was lobbied against by labor unions, which want health insurance remain the responsibility of employers, and health

maintenance organizations, which anticipated fees on their services to cover some of its costs, Democrats who backed the single-payer plan, and Republicans who criticized the plan's potential cost to the state.

“The legislature has not been able to address the problems of health care reform,” Richman said after the bill died. “Legislators are unwilling to compromise, unwilling to come up with common sense solutions. Legislators are only willing to abide by the agendas of the special interest groups, whether you are talking about public employee unions, the health insurance companies, or any of the myriad groups that have an interest in health reform.”²⁶

One place, however, that has been able break out of the interest group gridlock in the past year was Massachusetts, where a Republican governor with national ambitions worked with a Democratic state legislature to pass a measure similar, in fact, to the Richman-Nation proposal. Like the Richman nation proposal, the Massachusetts plan starts with a requirement that all state residents have health insurance or face a financial penalty. The Massachusetts plan, which essentially shifts money currently paid for emergency room reimbursement and indigent care to insurance for the unemployed, also calls for subsidies to private insurance plans to allow more of the working poor to buy insurance. It expands the number of children who are eligible for free coverage, and set fines for businesses with more than 10 workers that do not provide insurance (\$295 per employee per year). The Massachusetts plan is expected to cover 515,000 uninsured people within three years, about 95 percent of the state's uninsured population leaving less than one percent of the population unprotected.

As the Massachusetts plan gained national attention for its bipartisan support, it also gained instant skepticism in California, where the number of uninsured is roughly the same as the population as Massachusetts. It has been estimated that the program would cost about \$9.4 billion more in California to implement. Massachusetts, for instance already spends about \$1500 a year per uninsured person, while California spends about \$300. Only about 13 percent of Massachusetts residents lack insurance coverage while in California it is closer to 20 percent.²⁷

Politically, such a proposal is also likely to draw fire from California conservatives, who consider a health insurance mandate and fine to be an infringement of individual rights, and liberals, who are likely to argue that purchasing insurance will be too expensive for many of the working poor and unemployed who are forced to pay for it. In addition, such a proposal is likely to run into the politics of immigration, where the definition of a state resident, as in the divide over driver's licenses, becomes a stumbling block in any measure that involves access to government programs and services.

Still, however, the success of conservative Republican Governor Mitt Romney to broker deals with the liberal Massachusetts legislature—to the point where Senator Edward Kennedy looked on approvingly at the signing of the bill—is likely to be at least an inspiration, if not a model, for Schwarzenegger.

Schwarzenegger has followed the bipartisan script in the early stages of crafting his plan. He hired a former aides to both Republican Governor George Deukmejian, and

Democratic Governor Gray Davis, to begin crafting a proposal. But at this writing only a few technical elements of the Schwarzenegger plan have begun to emerge. These include emphasis on prevention, health education, fitness, which are personal obsessions of the governor (but which take many years to see health cost savings); greater use of technology to improve care and reduce medical errors (which has worked wonders in the turn-around of the veteran's administration hospital system); and eliminating existing state mandates that require insurance companies to offer particular services, like contraception and cancer screening to every consumer whether they want them or not.

No doubt, Governor Schwarzenegger will pay special attention to children, continuing campaigns to provide more access to the state's Healthy Families program and to get more federal funding, for which there is optimism given the Democratic Party's new majorities. Indeed, if the Governor settles for half a loaf, that half is likely to go to children.

But these proposals, too, will have their costs, proponents, and opponents, and they don't come close to the ambition of the pay or play, single-payer, Richman-Nation, or Massachusetts plans to significantly reduce the number of uninsured and their costs. The more ambitious measures are likely to remain under wraps until the Governor's second inaugural address, when the broad goals will be defined. This will be followed by the state of the state address to the legislature and submission of the governor's budget, when the financial details emerge. Then, the Governor's proposal will compete with myriad bills by various legislators eager to make a mark. Only then will we know how long or short the political memories in fact are, and how cooperative Sacramento is prepared to be.

As Dan Walters wrote in the Sacramento Bee: "Health care . . . is a much, much knottier issue, because it involves huge sums of money that would come out of someone's pocket, because the state budget is already running multibillion-dollar deficits, because Schwarzenegger and other players have already drawn lines in the sand (he opposes new taxes, forcing employers to pay the tab or a government-run, single-payer system), because it inevitably will touch the hot button of covering illegal immigrants, because the Capitol is chronically incapable of writing complex policies that are both politically feasible and effective, and, finally, because it's not particularly important to voters."²⁸

And therein may be the true first leadership challenge on health care for Governor Schwarzenegger: to make comprehensive health care reform important to voters. Because, as John Kenneth Galbraith once said, "In the choice between changing one's mind and proving there's no need to do so, most people get busy on the proof."

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